

U.S. Department of Labor

Occupational Safety and Health Administration  
San Francisco Federal Building  
90 - 7<sup>th</sup> Street, Suite 18100  
San Francisco, CA 94103



July 16, 2008

Mr. John Duncan Director & State Designee  
Department of Labor and Industrial Relations  
455 Golden Gate Ave., 10<sup>th</sup> Floor  
P.O. Box 420603  
San Francisco, CA 94102

Mr. Duncan:

This letter is to inform you of the results of our financial review of the Hazard Evaluation System and Information Service (HESIS) on January 22, January 24 and February 27, 2008. The HESIS program is administered by the state of California Department of Public Health Division and contracted by the Division of Occupational Safety and Health (DOSH).

Enclosed for your action is the report of our Accountant, Ms. Lavinia Ha's, Onsite Monitoring Visit Report, which addresses the financial aspects of the HESIS program covering fiscal year 2006 and 2007. This site visit was a follow-up to areas of concern raised in our letter to your office dated November 9, 2007.

In the overall review of the HESIS program, we identified some areas of concern that need to be improved and they are as follows:

- There is no documentation provided to support the work actually performed and charged to the contract funded under the OSHA 23(g) grant.
- A system needs to be developed to maintain information on the status of personnel employment so that data can be readily available.
- Only a monthly summary invoice was provided for all the reimbursement costs. The monthly invoice did not identify individual costs for the details of services provided.
- There were insufficient source documents (i.e. timesheets) to determine exactly how much time each person worked. Interviews with staff indicated work is calendared with a list of assignments given by the Chief of the Occupational Health Branch.

Recommendations


- If CAL/OSHA desires to continue the HESIS contract, they must define the work to be performed by each person.

- All HESIS personnel must be listed on the contract. It must include their name, title, percentage of time charged, annual salary and the percentage of their annual salary.
- Data must be maintained to document the work done on the HESIS contract. All the required source documents must be available for review.
- A database is required for tracking the FY 2008 incoming TRS calls for the HESIS program and should include details of date and time spent for each call.
- The payroll records must be maintained to support personnel and fringe benefit costs.
- The monthly HESIS invoice that is submitted to DOSH must detail each staff member's work function and the time devoted to process performance for all the reimbursement costs.

We request that you address these areas of concern and submit a report of corrective action being taken, or to be taken, within 60 days of your receipt of this report.

Thank you for your assistance and cooperation.

Sincerely,



Alan Traenkner  
Director, Analysis & Evaluation

cc: Len Welsh, Chief  
✓ Ray Yee, Staff Service Manager  
Arlene Williams, Grants Management Office, National Office

## REPORT OF ONSITE MONITORING VISIT

PREPARED BY: Lavinia M. Ha, Accountant

DATE OF REPORT: February 28, 2008

DATE OF VISIT: January 22, 24, and February 27, 2008

GRANT PERIOD: Fiscal Year 2006, 2007 and 2008

GRANTEE: The State of California

ADDRESS: 455 Golden Gate Avenue, 10<sup>th</sup> Floor  
San Francisco, CA 94102-3677

KEY PERSONNEL: Barbara Materna, Chief  
Occupational Health Branch  
Dennis Shusterman, Chief  
Hazard Evaluation System & Information Service  
(HESIS)

### INTRODUCTION

This report presents the results of the onsite review of the financial aspects of the Fiscal Year 2006 and 2007 23(g) State Plan's Hazard Evaluation System and Information Service (HESIS). The programs for both fiscal years were administered by the Department of Labor and Industrial Relations in San Francisco, California. The primary objective of the HESIS Program is to provide medical assistance to employees and employers upon request and protect workers from occupational safety and health hazards that can cause injury, illness or death.

### FISCAL YEAR 2006, 2007 and 2008 23(g) HESIS PROGRAM REVIEW

The HESIS program was awarded the following amounts made up of Federal (50%) and State (50%) funds:

- ✓ FY 2006 \$698,365
- ✓ FY 2007 \$715,415
- ✓ FY 2008 \$715,415

A portion of these funds (\$72,000 in FY2006 and \$74,000 in FY2007) was used to subcontract research on heat illness and food flavoring with UC Berkeley and UC San Francisco, respectively.

### Financial Reporting

The State of California Department of Public Health (DPH) Accounting Department operates HESIS expenditures and is located at 1501 Capitol Ave. Room 71.2101, MS 1403, Sacramento, CA 95899. The DPH submits monthly reports of HESIS expenditures to the Department of Industrial Relations Division of Occupational Safety and Health (DOSH) for the reimbursement of all costs.

### HESIS Documentation

We found that DPH did not have adequate accounting details for all the costs associated with HESIS. The monthly invoice that DPH submits to DOSH is only a summary and no details were made available during this review identifying individual costs. Payments from the 23(g) grant funds were paid to HESIS based only on this DPH summary invoice. The subcontractor associated with the HESIS program agreement also has no details on personnel time devoted for the reimbursement costs.

### Heat Illness and Food Flavoring Research Contractual Service

No source documents were available to explain the various costs charged to Allocated Cost Accounts (FY2006 and FY2007) and Professional Service Interagency Contract (FY2007) summarized on the DPH's Detail Expenditure Transaction Report. There was no documentation provided to support the work actually performed and charged to the 23(g) grant.

### Payroll

We reviewed the payroll records maintained to support personnel and fringe benefit costs. The FY 2006 and FY2007, HESIS "State of California Standard Agreement" allocated four personnel to charge 100% of their HESIS work time to the 23(g) grant. We found that there were insufficient source documents (i.e. timesheets) to determine exactly how much time each person worked. Interviews with staff indicated work is calendared with a list of assignments given by the Chief of Occupational Health Branch. The following is a brief summary of each staff member's work function and the time devoted to HESIS:

#### **Dr. Dennis Shusterman, Research Scientist Supervisor**

- Conducts hazard evaluation and provides medical guidelines
- Developing a database for tracking FY 2008 incoming calls from CAL/OSHA and public employees and employers
- Indicated 100% of his total salary is being paid by the 23(g) grant.

#### **Dr. Janice Prudhomme, Public Health Medical Officer**

- Doesn't track time working on Cal/OSHA projects
- States that sometimes 90% of the work is for HESIS and the agency accommodates personnel to work from home depending on their family needs
- States percentage of time for CAL/OSHA projects from 50 - 100%.

**Elizabeth Katz, Associate Industrial Hygienist**

- Works about 30 hours a week and spends 75% on Cal/OSHA projects
- Doesn't track work done for other agencies.

**Beverly Broadway, Office Technician**

- Does administrative assistance for DPIH
- Works 8 hours a day (full-time)
- 60-75% of time is spent performing projects charged to the 23(g) grant.

Overall, there were no timesheets on other source documents to support staff's time charge to the 23(g) grants.

**HESIS Publications**

- The HESIS Website is paid for by the Department of Public Health
- HESIS does not charge for distribution of publications. HESIS pays for shipping fee.

**Travel**

Travel was completed in accordance with state and federal travel regulations. Most of the travel cost was used for local travel mileage charged. Of the travel vouchers reviewed, documents were properly authorized, approved and charged.

**HESIS Duties Performed**

- HESIS Workplace Hazard Helpline / Telephone Response System (TRS)
  - Receives numerous phone calls from Cal/OSHA, employees, employers, and other agencies on a daily basis
  - Keeps a log of all call's, but does not include details about the date or time spent for each person. As mentioned above, Dr. Dennis Shusterman is developing a database for tracking the FY 2008 incoming TRS calls
- HESIS performed medical research, gathered surveillance data on diacetyl and heat illness
- Prepared publications for the public and Cal/OSHA
  - Update and revise publication (both hard copies and on the website) whenever new publications are produced.

**Recommendations**

- If CAL/OSHA desires to continue the HESIS contract, they must specify work be performance by each person
- All HESIS personnel must be listed on the 23(g) grant and include their name, title, percentage of time charged to the grant, annual salary and the amount of the percentage of their annual salary
- Data must be maintained to document work done on the HESIS contract. All the required source documents must be available for future review.

**U.S. Department of Labor**

Occupational Safety and Health  
Administration  
San Francisco Federal Building  
90 7<sup>th</sup> Street, Suite 18-100  
San Francisco, California 94103



Reply to the Attention of:

NOV 09 2007

Mr. John Duncan Director & State Designee  
Department of Labor and Industrial Relations  
455 Golden Gate Ave., 10<sup>th</sup> Floor  
P.O. Box 420603  
San Francisco, CA 94102

RECEIVED

NOV 13 2007

Department of Industrial Relations  
Director's Office (S.F.)

Dear Mr. Duncan:

Thank you for the courtesy and cooperation extended to Lavinia Ha, a member of my staff, during the onsite Financial Review visit on October 16 – November 1, 2006 and January 22 – February 27, 2007.

Enclosed, for your action is, Ms. Ha's Onsite Monitoring Visit Report addressing the financial aspects of your 23(g) State Plan and 21(d) Consultation grant program covering fiscal year 2002 and 2005.

Overall review of the grant records indicate that the program is adequate in the monitoring of federal cash drawdown's on a regular basis and submitting financial status reports in a timely manner. However, we have identified some areas of concern that require your attention; they are as follows:

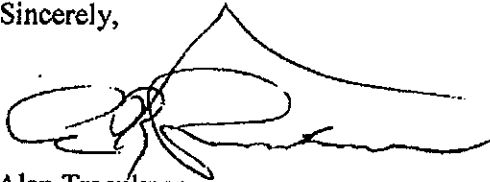
- The Division has difficulty in providing the status of employment. The grant application requires an organizational chart showing the authorized positions and the number of people on board. A system needs to be developed to maintain this information.
- Invoice payments for equipment and services appear to extend beyond the fiscal year for which funding was authorized; for example, it appears you paid for an item in FY 2007 with FY 2005 funds.
- A contract with the Hazard Evaluation System and Information Service (HESIS) only allocates for personnel and does not describe its relationship to goals of reducing injuries and illness in the workplace. This contract needs to be re-evaluated as to how it fits in the CAL/OSHA program.

8

We request that you address these areas of concern and submit a report of corrective action being taken, or to be taken, within 60 days of your receipt of this report.

Thank you for your assistance and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan Traenkner', with a long horizontal flourish extending to the right.

Alan Traenkner  
Director, Analysis & Evaluation

cc: Len Welsh, Acting Chief  
Ray Yee, Staff Service Manager  
Arlene Williams, Grants Management Office, National Office

9

10

## **REPORT OF ONSITE MONITORING VISIT**

**PREPARED BY:** Lavinia M. Ha, Accountant  
**DATE OF REPORT:** March 12, 2007  
**DATE OF VISIT:** October 16, 2006 – November 1, 2006  
January 22, 2007 – February 27, 2007  
**GRANT PERIOD:** Fiscal Year 2002 and 2005  
**GRANTEE:** The State of California  
**ADDRESS:** 455 Golden Gate Avenue, 10<sup>th</sup> Floor  
San Francisco, CA 94102-3677  
**KEY PERSONNEL:** Ray Yee, Staff Service Manager II  
Susan De Castro, Senior Accounting Officer

### **INTRODUCTION**

This report presents the results of the onsite review of the financial aspects of the Fiscal Year 2002 and 2005 23(g) State Plan and 21(d) Consultation Grant Program. The programs for both fiscal years were administrated by the Department of Labor and Industrial Relations in San Francisco, California. The primary objective of the Consultation Grant Program is to provide consultation assistance to employer upon request. The State Plan is to protect workers from occupational safety and health hazards that can cause injury, illness or death by enforcing California's occupational safety and health laws.

### **RESULT OF REVIEW**

The Financial Management Division, which is responsible for the overall management of the agreements and grant, takes an active roll in the budget-monitoring process. In addition, the Financial Management Division has developed its own accounting monitoring expenditure system called CALSTAR.

#### **FISCAL YEAR 2002 AND 2005 23(g) STATE PLAN PROGRAM REVIEW**

The initial Funding for FY 2002 23(g) was approved on September 28, 2001 at \$49,250,272 (federal portion – \$21,808,000 and non-federal portion – \$21,808,000, with state 100% funding of \$5,634,272). On April 12, 2002, the Grant Agreement was amended to reduce state 100 % funding as result of declining economy; this decreased the total funding to \$46,939,303 (federal portion – \$21,808,000 and non-federal portion –



\$21,808,000 and the state share 100% funding – \$3,323,303). On April 12, 2002, the Agreement was amended to increase COLA of \$678,000. This increased the total to \$47,278,303 (federal portion – \$22,147,000 and the non-federal portion - \$22,147,000 and state share 100% funding – \$2,984,303). On July 26, 2002, the Agreement was amended to reflect a One-Time Only Funding, the purpose of which was to purchase desktop and laptop computers, computer servers, a document imaging unit, video conference equipment, photocopiers, mail machines, digital cameras, phones, cellular phones, and laser barcode readers. Total Final Funding was at \$47,713,753 (federal portion – \$22,414,725 and non-federal portion – \$25,399,028), and the Grant period was extended until June 30, 2003 in order to complete financial reports.

The initial Funding for FY 2005 23(g) was approved on September 30, 2004 at \$48,818,000 (federal portion – \$23,135,000 and non-federal portion – \$23,135,000 and state 100% funding \$2,548,000). On April 08, 2005, the Grant Agreement (1) was amended to decrease it by \$386,000. This decreased the total to \$48,625,000 (federal portion – \$22,942,000 and the non-federal portion \$22,942,000 and state share 100% funding – \$2,741,000). On June 24, 2005, the Agreement (2) was amended by \$426,340 to reflect a One-Time Only Funding, the purpose of which was to purchase Sampling Pumps; Laser Measuring Devices, Digital Cameras, Postage Meters, Personal Computers, Video Conference Equipment, Monitor for Video Conference Equipment, Office Furniture, Computer Printers, Computer Software, and Travel Cost for Department of Labor Standard Enforcement (DLSE) Training. On September 14, 2005, the Grant Agreement Amendment (3) was amended to reflect One-Time Only Funds of \$694,226, the purpose of which was to purchase Industrial Hygiene Equipment (Dust Tracks, wet bulb thermometers, gas meters, thermo anemometers, and photo ionization devices), Light Meters, Sampling Pumps, Cap Lamps, Copiers, Postage Meters, Laser Measuring Devices, Computers Equipment, Digital Cameras, Laser and Color Printers, Office Security and Phone System, Multimedia Projectors, Gas Detectors and Digital Senders. Total Final Funding was at \$49,745,566 (federal portion – \$23,502,283 and non-federal portion – \$26,243,283), and the Grant period was extended until February 28, 2006 in order to complete financial reports.

#### **FISCAL YEAR 2002 AND 2005 21(d) CONSULTATION GRANT PROGRAM REVIEW**

The initial Funding for FY 2002 21(d) was approved on September 27, 2001 for \$6,248,661 (77% federal portion – \$4,812,000 and 23% non-federal portion – \$1,436,661). On April 15, 2002, the Agreement was amended to increase COLA by \$117,778. This increased the total to \$6,354,661 (federal portion – \$4,918,000 and the non-federal portion - \$543,439 and state share 100% funding – \$893,222). On July 10, 2002, the Agreement was amended to reflect a One-Time Only Funding; the purpose of which was for the special project for Management of Musculoskeletal Disorders in the Construction Industry, Ergonomics for Small Employers, Employer Records of Occupational Injury and Illness, Best Practice Guide for Food Processing Industry. This increased the total funding to \$6,539,061 (federal portion – \$5,102,400 and non-federal portion – \$1,436,661). On September 9, 2002, the Agreement was amended to reflect a

One-Time Only Funding \$48,500, the purpose of which was to purchase Photocopiers, Color Laser Printer, B&M Laser Printer, Desktop Computers, Digital Cameras, Fax Machines, and In-focus LCD Projector. Total Final Funding was \$6,592,950 (federal portion – \$5,150,900 and non-federal portion – \$1,442,050) and the Grant period was extended until June 30, 2003 in order to complete financial reports.

The initial Funding for FY 2005 21(d) was approved on September 30, 2004 at \$6,782,000 (75% federal portion – \$5,089,000 and 25% non-federal portion – \$1,693,000). On April 8, 2005, the Agreement was amended to increase it by \$72,000. This increased the total final funding to \$6,854,000 (federal portion – \$5,161,000 and the non-federal portion – \$1,693,000) and the Grant period was extended until February 28, 2006 in order to complete financial reports.

### **Financial Reporting**

Federal funds for the 23 (g) and 21(d) grant were drawn down through the Payment Management System (PMS). The review of documentation showed that federal funds were drawn down on an as-needed basis and, therefore, no excessive cash balances were maintained. The DIR office of Grant Accounting monitored federal funds drawn down on an accrual accounting basis. The Cal-OSHA Accounting Department system operates the federal cash under the reimbursement fund concept wherein consultation and enforcement grants reimburse the State's General Fund to cover the cost of service or resource material provided.

The State Department submitted timely and accurate quarterly Financial Status Reports (FSR Form 269) for the 23(g) and 21(d) funds. CAL-OSHA was granted a written approval on July 29, 1992 to submit financial quarterly reports to Federal OSHA Region IX from 30 days to 45 days after the end of each quarter. We need to consider if such a delay is still necessary.

### **Accounting System (CAL-STAR)**

The CAL-STAR is the Department of Industrial Relations accounting system that generates detail and summary financial reports. A discrepancy was noted that the out of balance conditions between the ledger values in the accounting system and the supporting detail records have been identified in the input or the transfer account coding errors -- as systemic problem should identify and reconciliation of the ledger, the ledger should be adjusted through to balance the Financial Status Report and Federal Cash Management Report. For FY 2002, the general ledger shows the year ending amount was \$48,632,550.04 and the final Financial Status Report shown the amount of \$48,602,766. The manual adjustment was \$29,784.04.

- For FY 2005, the amount shows on the general ledger was \$49,260,006.85 and the final Financial Status Report shown \$48,902,626. The manual adjustment was \$357,380.85.

### **Payroll**

Payroll records maintained to support personnel and fringe benefits cost for 100% of participation were adequate. Costs were correctly charged in accordance with the terms and conditions of the Agreements and the Grant. Review of a sample of payroll records showed that payroll costs were properly authorized, allowable and allocable in accordance with the federal regulations OMB Circular A-87, Cost Principles for State and Local Government. Of the twenty items randomly selected for personnel who work less than 100% on the Grant Payroll records, time sheets were completed to show the percentage of time devoted to the project that charged in accordance with the work plan performance.

We note that the time of the initial onsite visit, information for staffs during the fiscal year evaluated were not readily available. The Division maintained several databases for personnel, but was unable to provide employment status at any given time. This is a requirement of the 23(g) and 21(d) grants.

### **Travel**

Travel was completed in accordance with state and federal travel regulations. Of the ten consultants' travel vouchers reviewed, documents were properly authorized, approved and charged to the Grant funding. Costs were allocated by the period in which they occurred and separate travel vouchers were filed.

### **Procurement and Property**

For the most part of the procurement and property management systems for the agreements were acceptable and managed in accordance with state and federal regulations. Review of a sample of purchase orders and invoices showed that purchases of equipment and supplies were properly authorized and approved. In some case, however, purchases were made at the end of a fiscal year but not paid until substantially past the cutoff date for the grant to be closed. For example, we found the state paid for items in November 2006 (FY 2007) with money from FY 2005. This is a serious error.

The review of the Hazard Evaluation System and Information Service (HESIS) contract disclosed that the Health Science Associates provide asbestos and metals specialty laboratory services for Southern California. The contract also indicated that funds are being allotted for several laboratory analyses and to provide salaries for a Research Scientist, Public Health Medical Officer, Associate Toxicologist, Associate Industrial Hygienist, Associate Safety Engineer, and Office Technician Temporary Help. The contract did not have a detailed description of individual personnel work tasks as payment was based on the invoice. It was not possible to determine whether staff serviced employees or the general public, as you know OSHA money is only to be spent on servicing people connected to the workplace. There is no support to indicate how this program's fund was maintained. We question whether this Unit can be actively managed to work within the parameters of the requirements of CAL/OSHA.

**Indirect Costs**

Indirect costs charged to the Agreements were allowable and in accordance with federal cost principles. The total amount of indirect costs charged to the Agreements and Grant was based on the negotiated indirect cost rate and the restrictions/ceiling on the expenditure of OSHA funds stipulated in the agreements.